

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE PURCHASED)
POWER COSTS OF KENTUCKY POWER COMPANY) CASE NO. 9325

O R D E R

By Order entered April 22, 1985, the Commission initiated an investigation to determine whether Kentucky Power Company's ("KPC") inclusion in its fuel adjustment clause ("FAC") of fuel cost associated with its purchase of Rockport unit power is in violation of the Commission's Order entered December 4, 1984, in Case No. 9061, "General Adjustment In Electric Rates of Kentucky Power Company." In Case No. 9061, the Commission found that:

Kentucky Power can recover through its retail rates its actual cost of purchased power not to exceed the cost which would be incurred if power is purchased from the AEP pool rather than Rockport unit power.

KPC's monthly FAC filings indicate that for the months of December, 1984, through March, 1985, KPC has billed its customers for the cost of Rockport fuel in excess of AEP pool fuel cost. At a hearing held on May 6, 1985, KPC witness Coulter Boyle, Executive Assistant of Accounting, Rates and Finance, confirmed that Rockport fuel costs were passed through its FAC for the months under review. Boyle also submitted exhibits to show the amount of fuel cost KPC would have incurred if the lower cost AEP pool power had been purchased in lieu of Rockport power.

KPC presented two arguments to support its inclusion of Rockport fuel costs in its FAC. The first is that the Commission's Order in Case No. 9061 applied only to capacity costs, not fuel costs. KPC has presented no evidence to support this argument. While the Commission does recognize that in Case No. 9061 KPC presented an economic analysis of Rockport power capacity costs versus AEP pool power capacity costs, the Order in that case contains no language limiting its application to capacity costs.

KPC's second argument is that since Rockport power is purchased pursuant to a tariff on file with the Federal Energy Regulatory Commission ("FERC"), KPC must record Rockport fuel costs on its books and pay those costs. The Commission finds that although KPC's argument is correct, it does not address the issue in this case. The issue is whether KPC has violated the Order in Case No. 9061 by increasing its retail rates to recover Rockport fuel costs in excess of AEP pool fuel cost. The Commission's inquiry in this investigation does not extend to KPC's bookkeeping practices or its payments to suppliers.

Based on the evidence of record and being advised, the Commission is of the opinion and hereby finds that for the months of December, 1984, through March, 1985, KPC violated the Commission's Order in Case No. 9061 by including in its FAC the cost of Rockport fuel in excess of the cost of AEP pool fuel.

IT IS THEREFORE ORDERED that KPC shall appear at a hearing scheduled on August 14, 1985, at 1:30 P.M., Eastern Daylight

Time, at the Commission's office in Frankfort, Kentucky, to present testimony on the calculation of customer refunds.

Done at Frankfort, Kentucky, this 29th day of July, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Herman
Chairman

K. H. [Signature]
Vice Chairman

did not participate
Commissioner

ATTEST:

Secretary